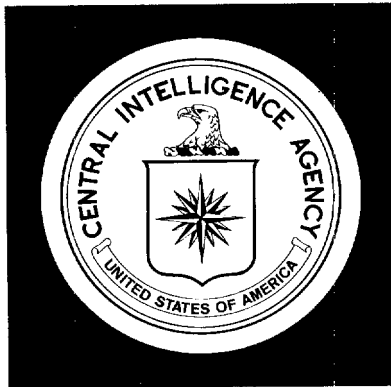


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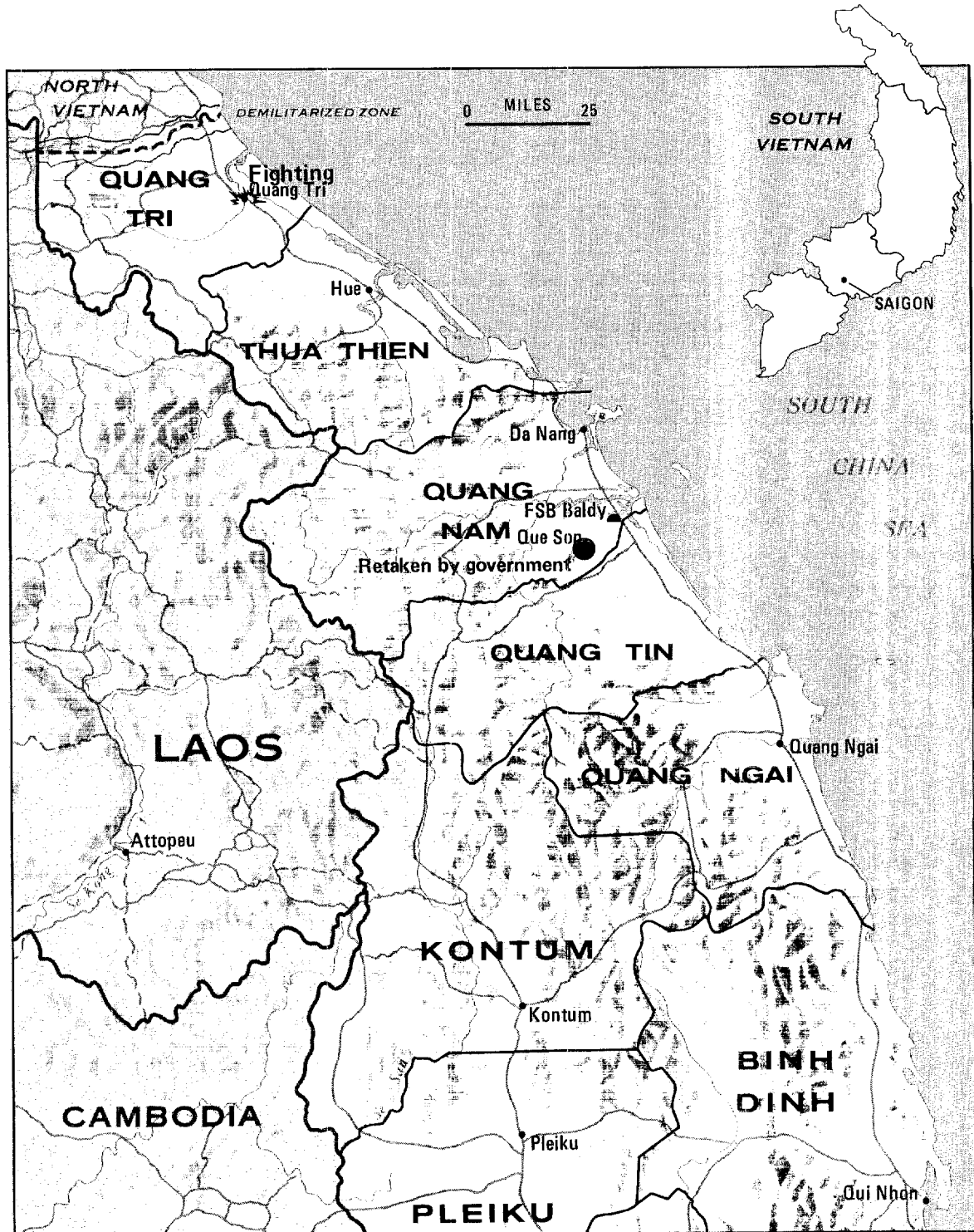
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VIETNAM: Government troops are making progress in the coastal lowlands of Quang Nam Province.

Lead elements of the government counteroffensive reportedly entered Que Son District town yesterday against only light opposition. However, the main body of government troops has met stiff resistance about two miles east of the town. [REDACTED]

[REDACTED] two regiments of the North Vietnamese 711th Division have been ordered to hold off Saigon's counterthrust in Quang Nam Province, while the division's third regiment and sapper elements are to conduct operations against the government staging area at Fire Support Base Baldy and against nearby villages and lines of communication.

Fighting has intensified around Quang Tri City. Several clashes occurred north of the city and near the southeastern corner of the citadel. Marine units trying to reach the citadel's west wall to cut off enemy infiltration and resupply routes have been unsuccessful so far. The government advance has been hampered by intense enemy artillery barrages--on 24 August the Communists directed almost 5,000 artillery and mortar rounds at Marine positions in the entire Quang Tri City vicinity.

West of Hue, South Vietnamese troops continue attacks on enemy forces that have been pressuring government strongpoints in the area since early April. In the past two days, the South Vietnamese have uncovered five enemy caches and confiscated over 22 tons of munitions and rice.

Military activity was light throughout the rest of the country and consisted mostly of enemy harassing attacks and government search operations.

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CAMBODIA



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CAMBODIA: The Communists' control over a section of Route 5 has increased the prospects for a serious shortage of rice in Phnom Penh.

Enemy elements in northwestern Kompong Chhnang Province are apparently consolidating their hold over the 14-mile stretch of the highway seized in a series of attacks a week ago. Previously, the Communists confined themselves largely to minor hit-and-run attacks along the highway, over which the capital receives most of its rice supplies from Battambang Province. This time, however, there are signs that they may be preparing for a protracted campaign. Reports from villagers indicate, for example, that enemy reinforcements from Kompong Thom and Kompong Speu provinces are moving toward the battle area.

So far, government efforts to clear Route 5 and relieve several isolated outposts along the highway have faltered in the face of enemy resistance--which appears to be led primarily by Khmer Communist forces. Demoralized government commanders in Kompong Chhnang are claiming that the road cannot be reopened without massive reinforcements and heavy air support.

The enemy pressure against the highway comes at a bad time. Even before the fighting began, the minister of commerce admitted that rice supplies in Battambang, intended for shipment to the capital, were sufficient only for two months' supply and that the capital faced a rice shortage in mid-October. The government is now seeking increased rice imports from the US, Japan, and Thailand.

Elsewhere, a combined Cambodian and South Vietnamese force has re-entered the town of Kompong Trabek on Route 1. The highway is open from Phnom Penh to Kompong Trabek but apparently no decision has been made whether to continue clearing operations eastward. These operations would threaten vital lines of communication into South Vietnam's Mekong Delta and would probably be strongly resisted.

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ARGENTINA: President Lanusse has reaffirmed his decision to hold elections next March and has imposed new measures to combat terrorism and public disorders.

Lanusse promised the nation in a speech on 24 August that the elections would be completely fair and said that Juan Peron had excluded himself by deciding not to return to Argentina by 25 August, the deadline the government has imposed for all candidates to be in the country. At the same time he declared that neither he nor the other two armed services commanders would stand for election. The President announced constitutional reforms that will reduce the presidential term from six to four years and that call for the direct popular election of the president and congress.

Lanusse also defended the action of the military guards in Trelew who, during an alleged escape attempt last Tuesday, gunned down 16 of the 19 terrorists recaptured after the prison break and airline hijacking a week earlier. The "massacre" has prompted demonstrations against the government but the military has moved quickly to put down disorders and the army has taken control of several interior cities to prevent the trouble from spreading.

The President's speech demonstrates his determination to maintain control in the face of mounting problems, and there is some indication that his tougher approach to terrorism will, temporarily at least, mollify some of his critics in the military. The Peronists and many other civilian politicians, however, probably found little satisfaction in the President's statements. The political parties have been nearly unanimous in opposing any military tinkering with the constitution. The Peronists, furthermore, argue that the arbitrary setting of the 25 August deadline was a deliberate attempt to prohibit Peron's candidacy. They claim they will not accept such an exclusion and that Peron is planning to

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return to his homeland in time for the traditional Peronist celebration on 17 October--the date on which crowds of workers forced the release of Peron from military detention 27 years ago.

Despite his determination to plow ahead with his plan for political normalization, Lanusse seems to be in for continuing difficulties on every front. The Peronists are likely to become even tougher in opposing his political and economic moves. On the international scene, the good relations between Argentina and Chile--carefully nurtured by both presidents--could be in jeopardy because Allende has permitted the ten Argentine terrorists who escaped to Chile on a hijacked plane to travel on to asylum--presumably in Cuba.

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CHILE: The Allende government is raising farm prices in an effort to stimulate agricultural production.

Agriculture Minister Chonchol has announced increases ranging from about 36 to 118 percent in prices paid to producers for most farm products. Real agricultural prices are at their lowest point in many years, because farm wages and other costs have risen rapidly since Allende took office while producer prices have been controlled to hold down retail food costs for the urban electorate. Reduced profitability of farm operations has been an important factor in the substantial decline in Chile's agricultural output in recent years.

Increased costs to farmers because of an almost simultaneous wage hike, possibly exceeding 60 percent, and higher agricultural input prices presumably will not totally offset the rise in producer prices. Even with more attractive farm prices, however, the short-term prospects for agricultural output are not very favorable. About 45 percent of Chile's irrigated land is now in government hands, and much of the farm property expropriated by the regime has not been organized into production units because of shortages of capital and agricultural technicians. Private producer performance probably will continue to be hampered by unrest and periodic violence in the countryside as well as by shortages of material inputs and credit. [REDACTED]

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FRANCE-EC: France has again raised the possibility of postponing the October summit of the EC Ten if prior agreements, primarily on monetary issues, are not reached.

French Foreign Minister Schumann made whirlwind visits to Bonn and London on 23-24 August to push for substantial agreements on further commitments toward EC economic and monetary union and on international monetary issues at the summit preparatory meetings of the finance and foreign ministers on 11 and 12 September. Any European agreements on monetary matters would be especially welcomed by Paris prior to the IMF meetings in Washington later in September. Pompidou also would appreciate agreements reflecting French positions, assuring a summit which would help bolster his image before the French legislative elections.

In Bonn, Schumann reportedly concentrated on describing the proposed European Monetary Fund, a project under discussion for some time within the EC. Pompidou evidently believes that announcement of the fund would be a considerable achievement for the summit. Bonn is sympathetic to a fund--which it sees as the first step toward a European "federal reserve system"--but differs with Paris on crucial points such as the expansion of credit lines between EC central banks and movement toward a pooling of EC currency reserves. The Germans, moreover, were cool to a suggestion for raising the price of gold in intra-EC reserve bank settlements. The Germans were surprised by Schumann's again stressing the location of a political secretariat in Paris, and are worried that--despite Bonn's and London's favoring Brussels as the site--a consensus may favor the French position.

Full reports of Schumann's conversations in London are not yet available, but it is likely that the two sides remain apart on a number of important

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questions. Prime Minister Heath apparently suggested that the UK considers agreement on industrial, regional, and energy policies for the community necessary in return for progress toward monetary union. A German Foreign Office official has also suggested that getting French agreement to place policies in those areas within the scope of EC Commission Council decision making might be a quid pro quo for permitting the political secretariat to move to Paris.

Neither Bonn nor London has responded directly to Paris' hint about postponing the summit. The Germans simply stated publicly after the meeting that they expect it to be held in October as scheduled. Schumann's suggestion as he left London was that the timing was still uncertain, and this was echoed after a French cabinet meeting. Before the preparatory meeting on 12 September there will be further attempts to align positions. German Economics and Finance Minister Schmidt reportedly will visit London on 7 September and Pompidou will meet Brandt at Munich on the 9th. [REDACTED]

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NORWAY: The Labor Party government on 24 August launched the final drive in its uphill struggle to win the approaching referendum on joining the European Communities.

During a four-day meeting of governmental, party, and trade union leaders this week, Prime Minister Bratteli made it clear that his minority government will resign if the vote goes against it on 24-25 September. Although party sentiment is not unanimous on EC membership, the connection between the Communities issue and the party's future should serve to stiffen discipline. The party has mobilized its entire campaign apparatus for this 11th-hour effort.

Bratteli hopes to show support for his campaign from the other Nordic prime ministers. He has invited them to Oslo on 1 September for a meeting to discuss the situation in the area now that all five governments have completed their negotiations with the Communities. The high point of Bratteli's campaign will be a mass rally in Oslo on 14 September, at which he and West Germany's Willy Brandt--once a Norwegian citizen and highly popular--will be the featured speakers.

Bratteli needs all the help he can get. Public opinion polls indicate that the government will have to win over most of the 21 percent of the voters who remain "uncertain" on the issue, and that the growth in Norwegian support peaked in June. [REDACTED]

[REDACTED]

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HONDURAS: Disorders are again threatening the unsteady Cruz government.

There have been clashes recently between rival groups of teachers, and a struggle between student factions for control of university buildings has the potential for greater violence. In addition, the Liberal Party's threat to withdraw from government posts imperils the "unity" government itself. Economic problems, which have been accumulating since Cruz took office last year, have become acute as a result of reduced tax receipts and plummeting business confidence.

The Cruz administration has survived a seemingly endless parade of problems, but it has never faced so many disorders at one time.

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ALGERIA: The government remains unlikely to make any public statements that would deter hijackers from seeking refuge, despite its embarrassment over the two most recent incidents of air piracy.

Following the return this week of the \$1-million ransom to Delta Airlines, an official in the Algerian presidency reiterated his government's belief that growing public awareness of Algeria's disenchantment with the Black Panthers and with hijackers in general would be a sufficient deterrent. Although the Algerians would like to prevent hijackers from coming to their country, they also are convinced of the need to maintain a revolutionary image and a strongly anti-imperialist posture.

Algeria also would like to divest itself of its growing colony of foreign political "celebrities," especially the hijackers, but it does not want to appear to be doing so in response to US pressure. As a result, the Black Panthers are likely to stay, and the possibility that future hijackers will come has not been foreclosed.

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ITALY: The government has called for careful price-monitoring at the local level following the recent spurt in food prices. Rome's provincial price committee immediately imposed direct price controls on some essential food items while other provincial officials merely established "watchdog" committees. The government's move was inspired by increases in food prices in August and fears that upcoming labor contract negotiations will aggravate inflation. The cost of living has been growing at an annual rate of about five percent this year, roughly the same rate as in 1971. The price measures have evoked sharp criticism from the left-wing press, which hopes to prevent the center-right government from gaining any political benefit from its efforts to reduce inflation.

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